



ECONOMIC IMPACT

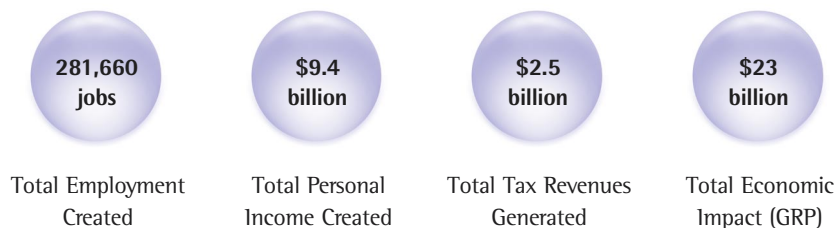
The Economic Impact of the
South Carolina State Ports Authority
By the Center for Economic Forecasting
At Charleston Southern University
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Executive Summary

The mission of the South Carolina State Ports Authority is to contribute to the economic development of South Carolina by fostering and stimulating waterborne commerce and shipment of freight. The South Carolina State Ports Authority has always played a major role in international trade, economic development, and the economic vitality of the state of South Carolina. In 2002, the Ports Authority continued to demonstrate its significant role in contributing to the growth and economic prosperity of South Carolina.

The purpose of this Economic Impact Study is to provide an unbiased quantitative estimate of the size of the economic impact on the state of South Carolina of the South Carolina State Ports Authority in its present size and form. The study was conducted by the Center for Economic Forecasting at Charleston Southern University as a service to the state of South Carolina. Neither the South Carolina State Ports Authority nor any other entity has provided payment to the Center for Economic Forecasting for this study.

No matter how it is measured, the impact of the South Carolina State Ports Authority operations on our state is tremendous. The following highlights and statistics will provide a brief synopsis of the impact of the South Carolina State Ports Authority on our state in 2002.



In summary, results of this study confirm that the South Carolina State Ports Authority continues to be a major contributor to South Carolina's economy. Not only does it provide a measure of the Ports Authority's success in its role as a major catalyst for development of the state's economy, but it presents to us an understanding of the value of growth and serves as an important tool in planning intelligently for South Carolina's future.



Introduction and Objectives

This report presents the economic impact of the South Carolina State Ports Authority (SCSPA) on the economy of the state of South Carolina. The report considers only current operations of the SCSPA and does not include any planned or unplanned expansions. The Center for Economic Forecasting at Charleston Southern University (CEF) has produced this report as a community service to the citizens of South Carolina; the SCSPA did not commission or pay for this report to be produced. The SCSPA did aid in the collection of information used to perform the analysis and prepare the report. The CEF used a 53-sector dynamic econometric model for the state of South Carolina prepared for the CEF by REMI of Amherst, MA. The REMI model is a dynamic virtual econometric replication of the economy of the state of South Carolina over a thirty-five year period; with such a time horizon, the REMI model allows the state economy to return to a long-run equilibrium as a result of an economic impact such as the SCSPA operations. This model therefore differs from less accurate static models such as IMPLAN or RIMS. In addition to statewide impacts, the REMI model also measures regional impacts on six regions of the state.

For purposes of measuring the impact, it was assumed that SCSPA operations ceased at the end of 2002; the impact until the year 2035 was then estimated. While the REMI model provides great detail in analyzing the impact, four primary variables are considered. First, the change in the state's employment level was examined; results are also available by industry. Second, the change in the state's personal income was considered; obviously, the change in employment has a direct bearing on income levels. Third, the change in tax revenues to the state and localities was noted; as employment and incomes change, income, property, sales, and excise tax revenues all change. Finally, the change in the state's gross regional product (GRP) is considered as a measure of total economic impact.

In order to measure the economic impact of the SCSA operations on the economy, the CEF created a survey instrument for port users and port industry; this survey instrument was provided to all port users and port industry statewide so that a true census was undertaken. The survey instruments asked for estimates of employment, capital investment, and revenue for each respondent and then asked the respondent to estimate the proportion of its business dependent on SCSA operations.

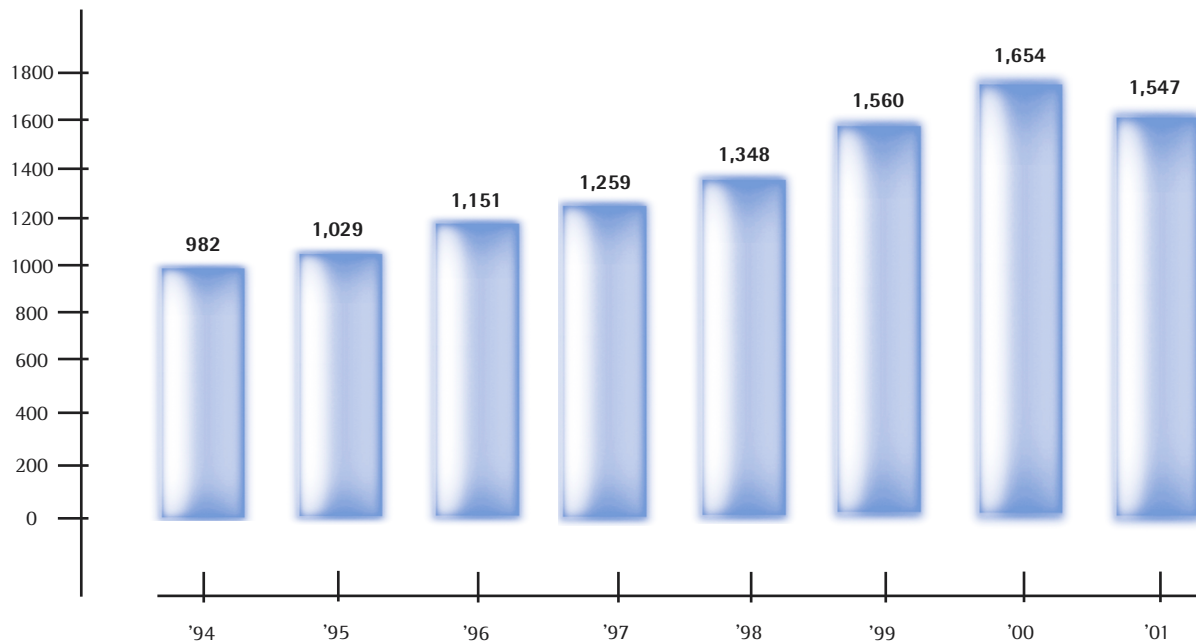


Operations of the SCSPA

The SCSPA operates marine terminals in the state of South Carolina in the ports of Port Royal, Georgetown, and Charleston. The Port of Charleston is by far the largest of the three. The SCSPA has approximately 600 employees, earning an average wage of \$45,142 for a total payroll of \$26.7 million per year.

The operations of the SCSPA will continue to grow as the demand for port services continues to grow with international trade. The Port of Charleston is currently the fourth busiest port in the country and ranks among the best in the world in efficiency. The high level of productivity is owed primarily to a dedicated, skilled workforce and continued capital investment in equipment and technology to maintain and expand the productivity of the workforce. Growth in the demand for port services has been impressive. The chart on page 10 shows the number of twenty-foot equivalent units passing through the port each year since 1994. The growth in TEUs over this time period represents a compounded annual growth rate of 6.71%. Since 2000, TEUs through the port have been approximately constant, in part owed to a slowing of the national and international economies but mostly owed to capacity constraints at the Port of Charleston.

In 2002, an agreement was reached with the city of North Charleston to permit the Port of Charleston to expand at the south end of the old Navy Base. This plan will permit the Port of Charleston to add the capacity necessary to handle additional TEUs as international container trade continues to grow and container ships continue to increase in size. With this agreement, the Port will be able to meet the needs of the shipping lines that use the facilities and convince those lines of the ability to meet future needs for growth.



SCSPA TEUS
Measured in thousands of TEUs

Input Estimation for the REMI Model

In order to use the REMI model to estimate impact, it was necessary to estimate employment and investment of industries that are at least in part dependent upon port operations. Those industries that are fully dependent on port operations are referred to as port industry or port services and include crane operations, trucking, docking, warehousing, barges, brokers and packaging. Those industries that are indirectly dependent on port operations are referred to as port users and include businesses from manufacturing, construction, transportation, retail and wholesale trade and numerous other services. The survey instruments were used to estimate the employment by port industry and port users by SIC sector; this employment was broken down by region of the state as well.

To estimate regional as well as statewide impacts, the state was broken down into the following six regions.

Region 1: Tri-County. Consists of the counties of Berkeley, Charleston, and Dorchester.

Region 2: Lowcountry. Consists of the counties of Beaufort, Colleton, Hampton and Jasper.

Region 3: Pee Dee. Consists of the counties of Chesterfield, Darlington, Dillon, Florence, Georgetown, Horry, Marion, Marlboro, and Williamsburg.

Region 4: Aiken. Consists of the counties of Aiken, Allendale, Bamberg, Barnwell, and Edgefield.

Region 5: Midlands. Consists of the counties of Calhoun, Clarendon, Fairfield, Kershaw, Lee, Lexington, Newberry, Orangeburg, Richland, Saluda, and Sumter.

Region 6: Piedmont. Consists of the counties of Abbeville, Anderson, Cherokee, Chester, Greenville, Greenwood, Lancaster, Laurens, McCormick, Oconee, Pickens, Spartanburg, Union, and York.



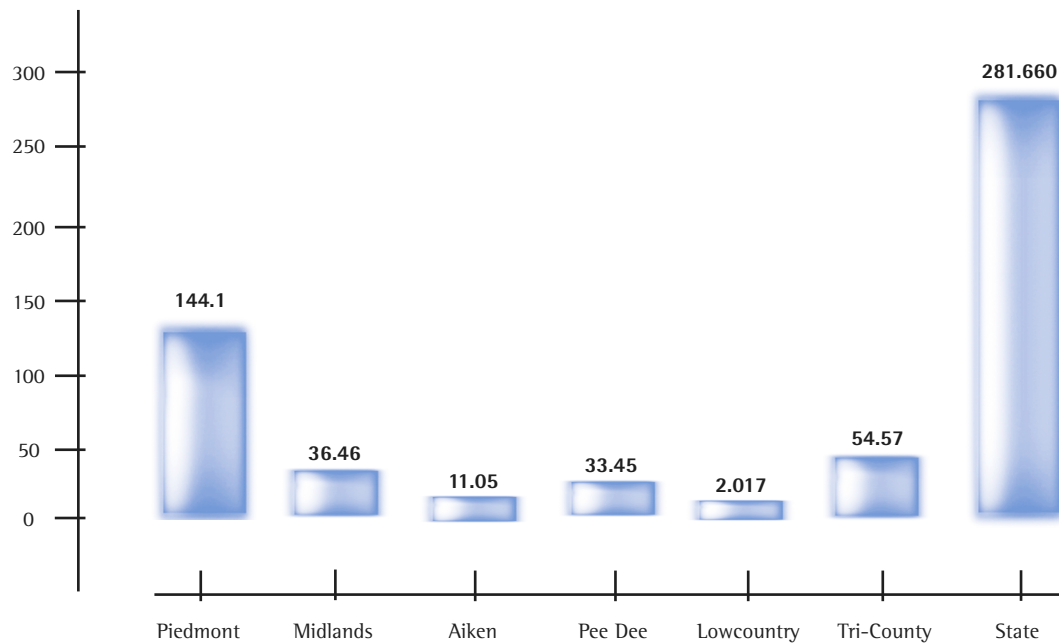
The Results

The results of the REMI model are summarized on the following pages. Based on the assumptions made in the modeling process, these results err on the conservative side.

The first area of consideration is employment. The estimated employment that would be lost if SCSPA operations ceased is estimated by region and presented on page 16. This result represents direct, indirect, and induced employment impact of SCSPA operations by region.

Total Employment Impact by Region

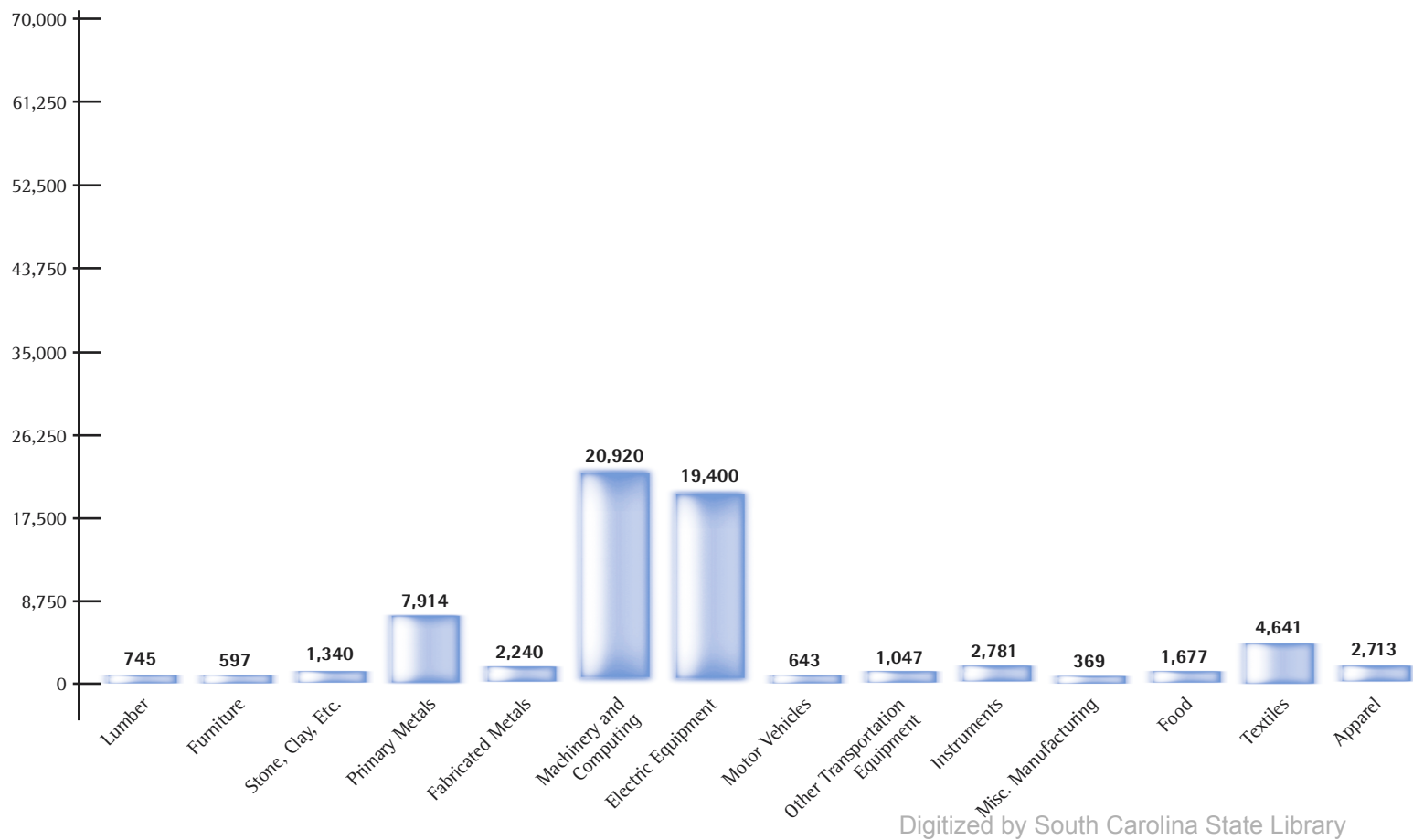
The chart on the next page illustrates that the SCSA operations are responsible for a total of **281,660** jobs statewide, representing **11.9%** of all jobs. This job impact is responsible for a change in population of 57,120 people statewide. The employment impact is also estimated by sector in the chart on pages 17-18.



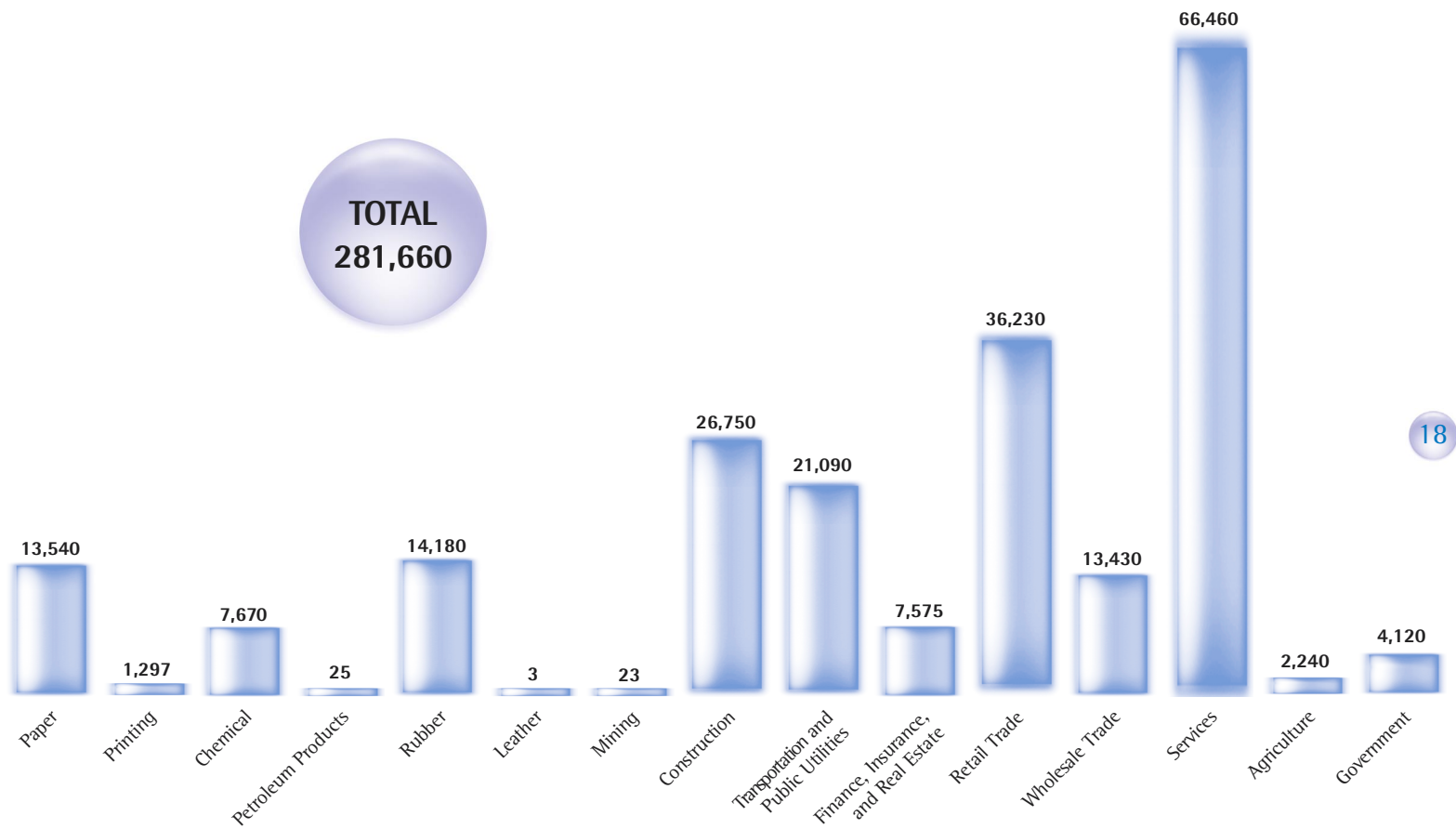
TOTAL EMPLOYMENT IMPACT BY REGION

Employment in thousands of jobs

STATEWIDE EMPLOYMENT



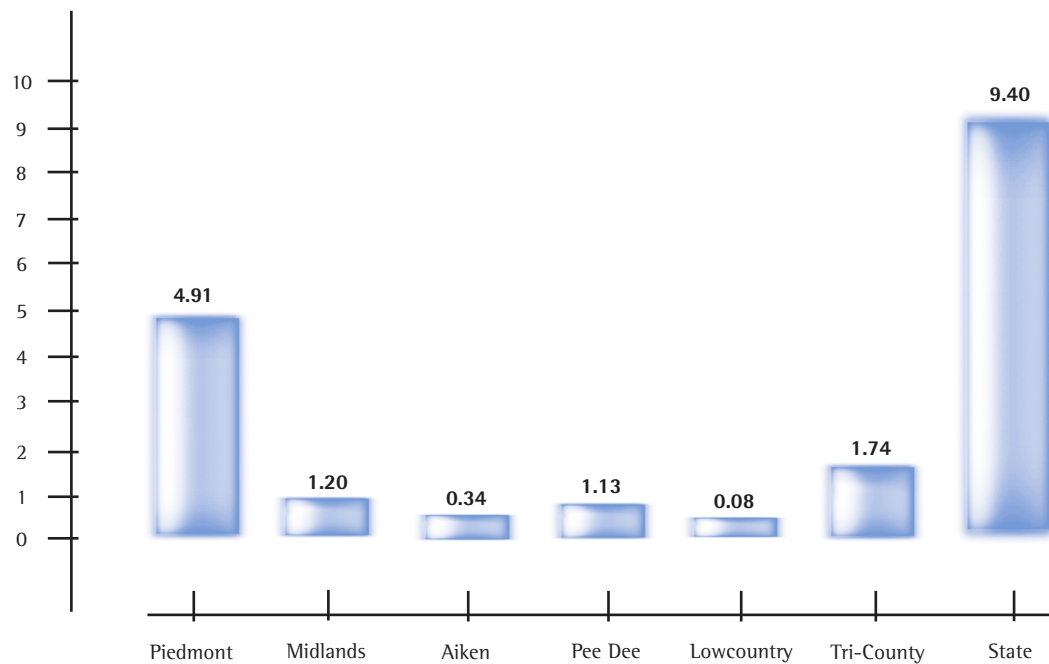
IMPACT BY SECTOR



Personal Income by Region

The estimated impact on personal income by region across the state is illustrated on the following page.

This chart indicates that the impact of SCSPA operations comes to a total personal income impact of **\$9.4 billion**, representing **8.3%** of total statewide personal income. Personal income is used to buy goods and services as part of everyday living and to pay taxes to the state, counties, and cities of South Carolina.

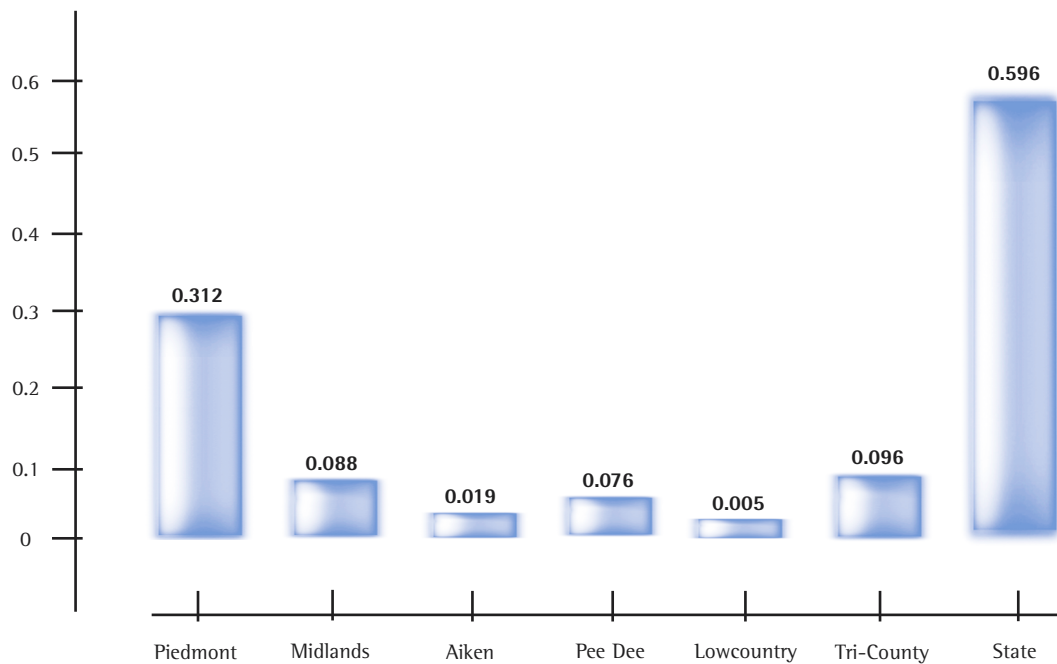


PERSONAL INCOME BY REGION

Income in billions of dollars

Local Tax Impact by Region

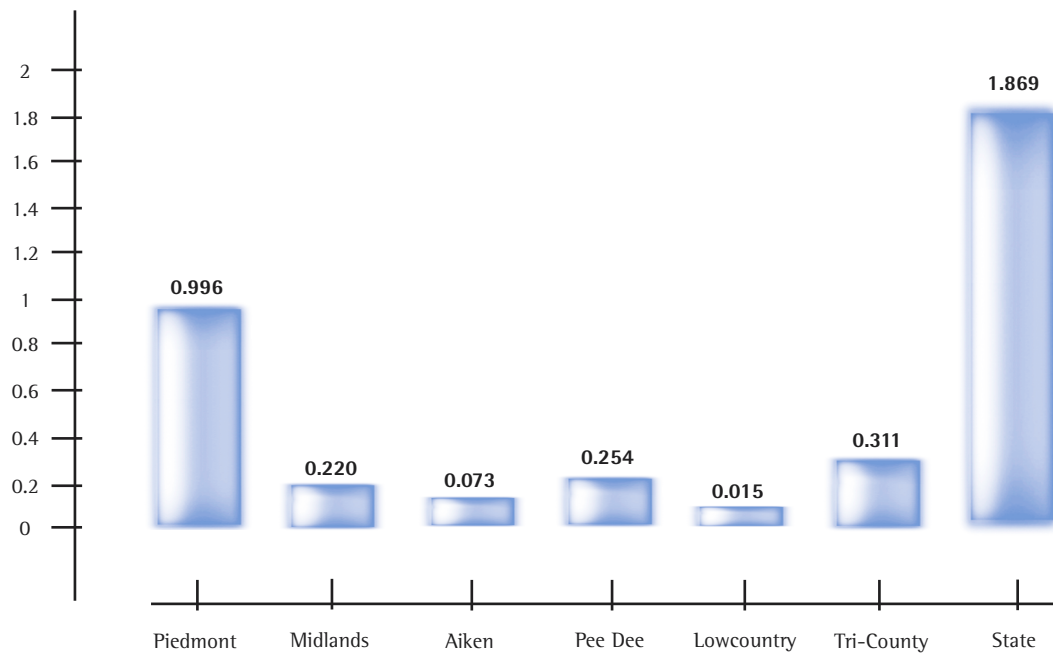
The chart on the following page summarizes the tax impact of SCSPA operations within each region; these are regional impacts only and represent total county and city impacts within each region. Such taxes include property taxes, local options taxes, and state revenue shares. The statewide impact on counties and cities totals just under \$600 million.



LOCAL TAX IMPACT BY REGION
Tax in billions of dollars

State Tax Impact by Region

The chart on the following page summarizes the tax impact on the state by region; these taxes include sales and excise taxes and state income taxes. The total impact on the state revenues totals approximately \$1.9 billion.

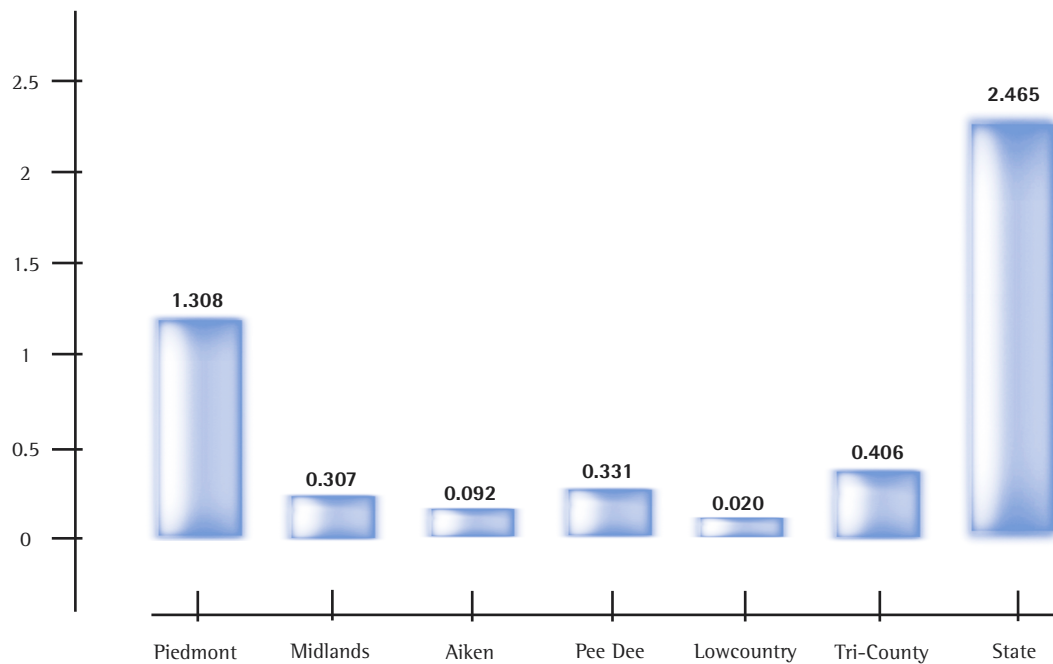


STATE TAX IMPACT BY REGION

Tax revenues in billions of dollars

Total Tax Impact by Region

Finally, the chart on the next page summarizes the total tax impact by region within the state of South Carolina and indicates that SCSPA operations generate a total of almost \$2.5 billion in tax revenues at the state and local levels.



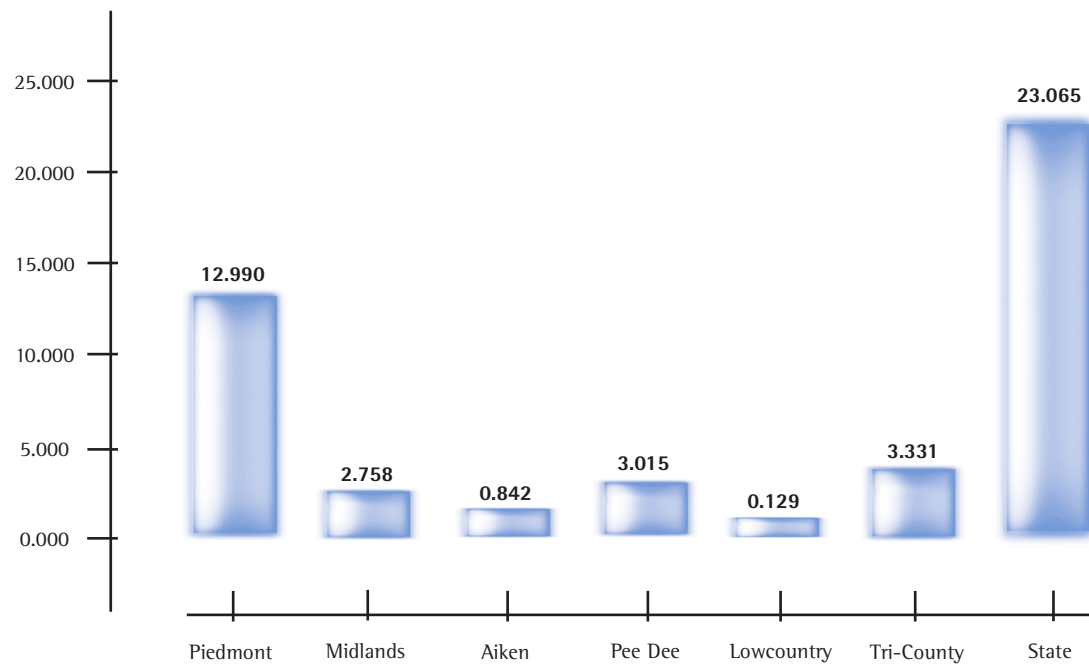
TOTAL TAX IMPACT BY REGION

Tax revenues in billions of dollars

Total Economic Impact by Region

As the final indicator, employment and expenditures of personal income generate expenditures on goods and services across the state. Gross regional product (GRP) measures the dollar value of final goods and services for a particular region and statewide; it is the impact on GRP that is properly considered the total economic impact of operations.

As the chart on the following page indicates, waterborne commerce through the SCSPA is responsible for approximately **\$23 billion** of gross state product, representing **16.9%** of the total.

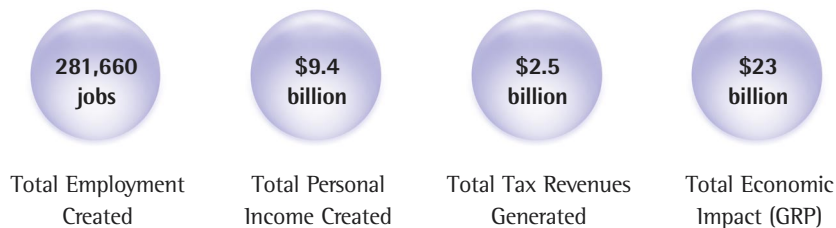


TOTAL ECONOMIC IMPACT BY REGION
In billions of dollars



Conclusions

No matter how it is measured, the impact of the South Carolina State Ports Authority operations on our state is very large. International trade is a growing sector of the international and national economies and the SCSPA is poised to make South Carolina a major player in this growing field. Such growth generates what can only be called “growing pains” but as this study should unbiasedly and conservatively indicate, the economic impact far outweighs any costs of such growing pains.



SUMMARY OF ECONOMIC IMPACT STUDY STATEWIDE

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